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CORPORATE SOCIAL RESPONSIBILITY IN POLAND – THEORY AND PRACTICE

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Abstract

In the last decade Corporate Social Responsibility (CSR) has become an idea playing an increasingly important role in the activity of various enterprises. To an extent the concept is a response to new requirements faced by the enterprises. They consist mostly of a close cooperation between the enterprise and its environment as well as complying with commonly accepted norms and rules. The aim of the article is to establish a multidirectional evaluation of various CSR solutions in Poland. The intention of the authors is to point out the importance of complying with the CSR premises as well as many benefits coming from non-particularistic and non-individualist approach to the issues of social responsibility. Along with necessary theoretical introduction indispensable in case of a research paper the text also presents these issues basing on economic practice.

Key words: *business ethics, CSR, social economics*

1. INTRODUCTION

The purpose of this article is to propose an omnidirectional rating solution in the area of corporate social responsibility (CSR) in Poland. The intention of the authors is also to indicate the importance of a company's compliance with the principles contained in the CSR and the benefits which can

be achieved when actions related to corporate social responsibility transcend individual goals and short-time gains. Along the theoretical divagations - an inherent part of any scientific study – the article presents solutions related to business practice.

CSR has been receiving lots of attention from various backgrounds of researchers worldwide [Ismail, 2011.] CSR is of interest to ethicists, psychologists, sociologists, economists, as well as management and therefore has an interdisciplinary character. There are many different ways that the term corporate social responsibility has been applied and defined in the literature. For example B. Rok defined CRS as “responsible business is a strategic and long-term approach, based on the principles of social dialogue and the search for solutions beneficial to all” [Rok, 2004, p.18.]. But M. Friedman underlined that CRS is „carrying out the responsibilities towards the enterprise’s shareholders, i.e. its owners, striving at the maximization of the company’s market value” [Friedman, 1997, pp. 186 – 205.].

The definitions given above emphasize various aspects of activities undertaken in this area. Even though CSR has been studied for many years, the researchers have not still developed a common theory. However one can find a common set of core principles, namely:

- implementation of CSR is voluntary,
- in social responsibility balance must be established among three dimensions: economic, social and environmental,
- CSR is the continuing commitment by business to behave ethically,
- activities undertaken in the framework of CSR are addressed to a wide group of stakeholders.

Corporate social responsibility focuses on building relationships in support of all stakeholders involved in business projects. It is a concept that in addition to create positive relationships between stakeholders includes human resources, formal and legal conditions and environmental protection on a voluntary basis. Specifying corporate social responsibility can be defined as companies focus on seven important CSR areas: (1) corporate governance, (2) employee behavior, (3) human rights, (4) integrity in customer relations, (5) the environment, (6) business integrity and (7) social commitment.

The past decade witnessed lots of studies referring to the issues of corporate social responsibility. Since then, the benefits of combining an enterprise’s social commitment and its financial performance, its market value, satisfaction and efficiency of employees, their professional development, efficiency of the recruitment process, innovation, customer loyalty, relationships with financial institutions and investors have been noted ever more clearly.

K. Rajandran K. and F. Taib considered that “CSR is not legislated but the government and stock exchange influences the corporate context, where CSR is expected and multiple stakeholders (e.g. customers, employees, shareholders) may expect corporations to perform CSR. Corporations are targeted because corporations are a prominent business structure. They also have a larger social impact and resources to manage this impact” [Rajandran & Taib, 2014, p. 144.].

These considerations allow concluding that the fundamental reason for the increased interest in corporate social responsibility is a crisis of confidence in business. Business, or to put it differently: economic activity, facing numerous irregularities such as fraud and corruption, has never had a strong moral position. In recent years, lack of belief in ethical business grew even stronger as a result of the emergence of a number of pathological phenomena, especially in the financial markets caused by the crisis, which had started in 2007 in the United States. A relatively significant weakening of the nation-state and the growth of influence of corporations has pushed that process even further.

2. BASIC PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The concept of CSR has become an absorbing trend not only within the discipline of ethics but also in the business management theory. T. Dołęgowski [Dołęgowski, 2011, p. 125] contends “the concept of corporate social responsibility gradually emancipates itself from the traditionally understood business ethics and starts a sort of life of its own – as a part of modern management theory. For some, CSR has even become the next modern paradigm and a school of thought within the strategic management and the search for sources of competitive advantage. But for the others, for example L. Tetřevová and J. Svědik “the corporate social responsibility represents a superstructure of the corporate statutory responsibility, where the firm management and staff behave the way they not only fulfil the corporate economic mission itself, but they also facilitate meeting the intentions and objectives of all stakeholders” [Tetřevová & Svědik, 2012. p.117.].

T. Culík, G. Končítíková and P. Staňková proved that “CSR as a management tool is not only a voluntary approach but mainly, it is a strategy” [Culík et al., 2014. p. 230]. It is assumed that in order to define a company as involved in the idea of CSR, it must comply with such requirements as: investment in human resources and environment protection, maintenance of a legal and ethical relationship with the corporate environment and thorough information of the company’s activities.

Human rights and labor rights are important foundations for responsible business. Therefore, one of the most important principles of CSR is an investment in human resources in order to guarantee basic human rights such as: the right to free speech, freedom of assembly, the right to education, regardless of race,

gender, sexual orientation, religion, ethnicity, social, national or political convictions. The lesson here is that the business of an enterprise should be in accordance with the principles of respect for the rights of employees, through the development of models and methods of implementation of personnel policies and by developing pro-ethical management strategy, which should include:

- promotion of higher education among the future managers,
- ethics-based management education of the management staff members,
- organizing the standards forming ethical principles in the form of codes of ethics,
- introducing the employees to clear ethical system promoting an ethical conduct.

It is also important for companies to create programs for the employees, referred to as an investment in employee development. These programs are aimed at increasing the professionalism and expertise of the staff through courses and training, integration programs, programs for equal opportunities (flexible forms of employment, equal opportunities for people over 45 years of age, people with disabilities).

The next objective of CSR is the improvement of management systems aimed at the development of mutually beneficial relationships with all stakeholders. Not so long ago Milton Friedman was trying to prove that the social duty of business is to maximize profit at all cost - of course within the limits of the law and basic moral principles.

Environmental management includes responsibility for the environment in which it operates. Business decisions consistent with this assumption should be designed to diminish the negative impact of production processes on the environment and, at the same time, introduce environmental protection programs. The issue of the relationship between the socio-economic and environmental aspects of business activities can be broadly divided into two approaches. The first one is a classic approach setting the goal of environmental regulations to increase social welfare by reducing external costs, the underline assumption being that regulations are designed, through internalization of external costs, to alleviate market failure, which entails additional costs [Schaltegger & Wagner, 2006, p. 9.]. That link seems to be particularly important for those industries where the impact on the environment during the production process entails more costs than the added value.

According to some authors the problem of norms and the rules of human behavior in economy framed by ethical codes has become another specific and expanding study area – situated in a kind of frontier land between CSR and business ethics. In this regard a symptomatic quarrel on the ground of ethics understood as moral philosophy is a conflict between the so-called codex and the non-codex option, the latter being additionally divided into moderates and

radicals. The moderates stress the importance of constructing a set of norms and rules for certain professions in a balanced, generally based on general ethics, such as Decalogue or the Human Rights. The radicals opt for constructing analytical directories of moral norms, highly detailed and targeting specific groups. Supporters of ethics without a code emphasize the complexity and the unique circumstances of a human evolution towards becoming a moral subject.

The above presented fundamental features of CSR are the backbone of this concept. It should be noted that CSR is a new tool in the theory of management and the theory of sustainable development perceived as a progressive field in economic policy.

3. CSR IN THE POLISH BUSINESS - PRACTICAL ASPECTS

Polish enterprises and in particular micro, small and medium enterprises still do not fully appreciate the importance of CSR. They focus mainly on achieving short-term market goals without a long-term strategic vision. To a lesser extent this also applies to large enterprises. The situation is evident in a research conducted by PwC consulting firm on 287 Polish companies. The research shows that 229 large and medium companies (80 percent) have optimized their financial performance and in effect they were ranked among top 500 list of "Polityka" and "Rzeczpospolita" journals [Polityka, 2012, p. 97.]. The most active in the research were the companies active in the fields listed in table 1.

Table 1.

Percentage indicator of businesses participating in the survey concerning CSR engagement in 2011

Trade	Percentage of surveyed companies
Power and Heat Engineering	43
Chemical	39
Wood and paper	35
Automotive	31
Financial	35

Source: *Pięćsetka Polityki* (2012). [in:] *Polityka*, Issue 17/18 (2856),. p. 97.

As already mentioned, the discussion on CSR is not entirely theoretical. The research concerning the main areas of CSR implies practical consequences. It appears that the most important points in terms of consumers and the market proved to be:

- actions in favor of consumers and the market which was declared by 88 percent companies surveyed, with the vast majority of companies - 93

percent - focused on the implementation of safety standards and the quality of the goods and services, compared to 92 percent focusing on standards of customer service.

- promoting sustainable consumption, consisting of informed purchasing decisions declared by 24 percent companies,
- attention paid to equal customers access to goods and services declared by 42 percent of the surveyed companies.

Another important area in the process of CSR-building is the work for local communities, done by 85 percent of the surveyed companies. These activities were in particular: cooperation with educational, scientific and cultural institutions and organization of internships and apprenticeships. Having a codified set of ethical rules was however declared by 70 percent of the companies [Polityka, 2012, p. 97.].

Despite the strong concern for the stakeholders, the enterprises attribute a crucial importance to the development of the members of the staff, which is proven by the fact that:

- a formalized system of employee evaluation and remuneration on the basis of the results was created by 80 percent of the surveyed companies,
- evaluation system for all employees, not just special groups, such as managers is implemented by 84 percent of the surveyed companies.

The qualitative changes taking place in the Polish business are a specifically optimistic area. These changes are to be observed in the field of strategic CSR management. It turns out that among the 230 economic operators who filled out the survey (it is significant that most of these companies were also in the top 500 of "Polityka" and top 500 of "Rzeczpospolita"), 67 percent of them systematically identifies priorities related to conducting business in accordance with the principles of CSR, while:

- 88 percent of the cases is a part of another type of strategic documents such as HR (HR policy – personnel policy, human resources policy),
- 46 percent is a part of the business strategy,
- 39 percent prepares an independent CSR strategy.

Moreover, about 50 percent of surveyed companies employ people who coordinate the tasks of CSR. More often than not they are employed in communication and PR departments - about 50 percent - and administrative offices - 16 percent, but rarely in the structure of strategic groups - 3 percent [Polityka, 2012, p. 97.]. The solutions used the most frequently by the Polish companies, within the guidelines of CSR, have been presented in the table 2.

Table 2.

Solutions used by companies as part of CSR principles

Solutions used by companies	Percentage of surveyed companies
Actions undertaken in the interest of customers, such as safety and quality of goods and services	88
Activities for local communities	85
Internal formal employee evaluation system	80
Written code of business conduct	60
Specific priorities for the company associated with CSR	67
Implemented environment protection management system	62
Report showing business management and implementation of corporate strategy with regard to socially responsible activities	60
A position created specifically in order to coordinate CSR requirements	50

Source: own study.

The results achieved both by own study and also in effect of an analysis of the results obtained by the consulting firm PwC are quite similar. However, it seems that it would be too optimistic and too rash to believe that CSR is already a standard in Polish enterprises. It is proven by the fact that less than 40 percent respondents replied to the questionnaire on CSR, and only the 100 biggest companies created a management structure, implemented ethical codes and informed the environment of their activities in the field of CSR in a conscious and strategic manner. These enterprises may therefore be described as guides defining the future directions of CSR [Polityka, 2012, p. 97].

Naturally, the presented results of the study conducted by PwC are characterized by a high degree of generalization and therefore are primarily a basis for further discussion and inquiry. It is worth considering why despite a lively debate on CSR in Poland as well as on the European, international and global level, in Poland, the concept is underestimated or even ignored. It is worth mentioning that what is at stake is not a theoretical finesse, but a fundamental question about the reasons for such a matter of facts. There are lots of reasons, the crucial ones being the assumption that:

- enterprises should focus solely on creating profits;
- every company should focus solely on creating profits;

- social involvement of business is not able to really change the world for the better, companies do not have experience in managing social programs;
- business should not be concerned with the public institutions responsible for motivating, implementation, observation and monitoring of social and environmental standards.

It also appears that an important cause of a poor interest in this concept, in addition to the reasons mentioned above, is lack of understanding of its principles among the majority of Polish entrepreneurs and, above all, the belief that compliance with CSR does not pay off. As a result, despite the fact that CSR in Poland is ever more broadly discussed, in the economic reality only a few companies decide to implement complex CSR strategies. A vast majority of them perceives CSR as a part of social engagement, all too often narrowed down to one-time social or philanthropy acts or employee voluntary work. This approach of Polish companies to CSR is far from the modern understanding of CSR promoted by the EU, which expects corporations to consciously and continuously comply with human rights and to prevent their violation, as well as to maintain the standards of fair trade, environmental protection, business reliability and social care.

At the end of this section, it is also worth adding that in Poland, a great number of institutions and organizations involved in promoting CSR and providing consultation in this area have been created. These include, amongst others, Institute for Responsible Business, Business Ethics Centre - CEBI, Centre CSR.pl, UNDP - Global Compact Responsible Business Forum, the Academy for Development of Philanthropy in Poland. There is however no subject able to coordinate, issue certificates and prepare expertise on the relations between the international CSR standards and CSR in Polish business.

4. DYSFUNCTION AND TRENDS RELATED TO THE IMPLEMENTATION OF CSR

Practical use of the idea of a social market economy in Poland will be shown in the future. As often mentioned before in this article, in Poland the implementation of the idea has still been in progress. However, Nordic countries can be taken as positive examples because there, CSR is advanced and based mostly on the idea of sustainable development as well as the following points:

- the concept of the economy serving the society,
- inculcating environmental awareness at the individual and enterprise level,
- state policy supporting the idea of CSR,

- construction of infrastructure serving to create awareness promotion of CSR,
- honesty and competence of the government officials,
- efficiently functioning non-governmental organizations,
- responsible and reliable media promoting and supporting ethically acting companies.

Practice shows that the Nordic countries which have long been acting based on the social model of the economy did not suffer as much as those of the neo-liberal stance. But according to E. Mączyńska, today this model requires adapting to modern global economy. Ordoliberalism has been established before World War II, and at that time the globalization has not yet achieved the level known today. Additionally the model of national economies was dominant and unburdened by the hypertrophy of the financial sector [Mączyńska, 2011, p.62.].

Therefore the main issue now is to consider the determinant of an optimized engagement of the Polish state in the concept of CSR. Even more so since the requirement for a critical reflection of the politicians concerning the economy nowadays is necessary and obvious. This requirement derives not only from the need to create the conditions for developing the concept of CSR and the applicable standards and regulations in this area, but from something much more substantial, namely the need to reflect upon the meaning of the axiological domain in the course of building awareness, market order, and finally a competitive advantage of the state.

In addition to the issues mentioned above, there is also a very important problem which can be described as central, namely the social costs associated with the equitable allocation of factors of production. This problem also applies to the justification of these costs. Introducing analysis involving institutional sphere along the narrowly conceived professional one seems to be another necessary measure aiming to present costs and benefits resulting from compliance with CSR in Poland. Overall the general costs of a specific operation should be compared to its cumulated benefits in order to assess CSR as effective and whether the cumulated benefits are greater than the costs.

A .Kocmanová, J. Hornungová and M. Dočekalová underlined that “the relationship between the social and economic performance was also proven to be positive, which means that social involvement had a positive impact on the economic performance of the company” [Kocmanová et al., 2014. P.171.].

The considerations presented above clearly indicate the need for a paradigm shift in the economy towards the social economy and changes in the state institutions’ approach to these issues. The need for this has been forced most of all by the global crisis, which resulted in the fact that the reputation of transnational corporations, and especially the financial sector as well as of the public institutions has suffered. As a result, both companies as well as state

institutions are quite commonly seen as thriving at the expense of the wider community.

5. CONCLUSIONS

The economy, regardless of the fact that it features from other social sciences, a high degree of formal-deductive modeling in view of the essence of management process, is a social science. In recent years, this aspect has been more and more often emphasized in economists' discussions. In these debates, plenty of space has been pointed out to the social aspects of the economy but mainly economics associations with socio-economic reality and empirical evidence of cohesion.

The degree of impact intensity of enterprises at such basic questions as: environment, ethics, responsibility to employees and stakeholders is a special subject of discussion. Unfortunately, these issues both by the Polish society as well as companies are not sufficiently recognized and appreciated. Therefore, the implementation of the CSR concept should be considered as a good investment and a source of innovations and future revenues. Moreover, it is also an important and necessary task both for State institutions, non-governmental organizations and lectures at every level of education, but not only as costs for entrepreneurs. This requires, however, creation a professional infrastructure. That is why this infrastructure should consist of the following key elements:

- regulations clearly defined and constantly being improved,
- trainings in CSR in business, particularly promotion of education in the field of CSR,
- promotion of CSR in business in mass media,
- creation certificates and inspiring traders to obtain them,
- carrying out audits in business units and reports to the extent enabling firms to this idea,
- promotion of ethical behavior by highlighting good cases,
- implementation of European standards from the scope of the environmental protection in business entities,
- the personal treatment of employees,
- implementation of the codes of ethical business well drafted and continually supplemented by all employees.

Moreover, the infrastructure of CSR should occur at all levels of business activities. It means on the level: micro – business activities of people and entrepreneurs; meso - activities of chambers of commerce or regional

organizations; macro – economic system, and so the country or of the European Economic Community; global - an economy on a global scale.

Consistent implementation of the assumptions included in the infrastructure could allow achieving the following socio-economic objectives:

- socially responsible companies will be a kind of support for public sector in the field of problems regarding socially excluded persons – alternative form of social assistance,
- socially responsible companies will be identified with a support idea (support and help for the public), and not as entities absolutely oriented into generating economic benefits,
- socially responsible companies will foster for the development of civic awareness, a basic element of developed democracy,
- socially responsible companies will be able to become initiators in making challenges to surrounding problems, particularly in the local and regional dimension,
- through the action of socially responsible companies fuller use of the resource and the capacity of human capital will become possible,
- through the action of socially responsible companies the principle of humanism finds fuller dimension.

Adopting by the business companies solutions included in the idea of CSR, even partial, will increase socio-economic stability and will reduce the risk of social conflict.

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